

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – MAY 24, 2006

PRESENT: Chairman Anthony Maiola and Commissioner Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Eddie Edwards, Chief of Enforcement; Steven Slovenski, Legal Counsel; Howard Roundy, Director of Information Technology; Peter Engel, Director of Store Operations; Kathleen Hass, Director of Purchasing; Richard Gerrish, Spirits Marketing Specialist; Nicole Brassard, Wine Marketing Specialist; George Tsiopras, Chief Financial Officer. **Guests:** Lon Seigny, LBA Auditor; Al Picconi, Southern Wine & Spirits of N.E., Inc.

EXCUSED: Commissioner John Byrne.

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Financial Reports

A. Weekly, Year-to-Date Sales Reports:

Total sales for the week ending May 21, 2006 decreased by (3.42%) or (\$267,033) for the weekly comparison, but increased year-to-date by 5.7% or \$19,866,334.

B. Budget/Administrative Reports:

The first order on the UPS licensing delivery program was received last Tuesday and delivered last Thursday. The process went well, and the Wolfeboro licensee was very pleased with the service. The cost was slightly less than \$1.00 per bottle for shipping.

The Law contract committee is waiting for additional statistics from Brian Law, which will be incorporated into the proposed pricing increases.

Craig spoke with Mike Buckley relative to the house bill dealing with additional monies for utilities. These funds should be available to the Commission within a couple of days.

Two Commission contracts were approved at the Governor and Council meeting with no problems. The next meeting will be held June 7th at Crotched Mountain Center. The Commission will have at least a few more contracts on the agenda for this meeting. The N.H. Stories paperwork was incomplete (the Certificate of Existence was outdated), so submittal of this item could be delayed.

The latest W-6 Expense Budget Activity Variance Report shows the year to be at around 90% expired, with total agency expenditures at about 82%. The Commission will receive much needed relief when the money is received for utilities. George is working with Peter on projected overtime costs, which looks favorable at this time. The benefits category will be offset by the end of the fiscal year, as a request has been made for funds from the Salaries Adjustment account.

Accounting is busy working with the LBA auditors. In addition, work is being done on a couple of contracts regarding amendments/extensions, including those for forklifts and electrical services. Craig met with the Chief of the Civil Bureau about insurance requirements for contracts. She was quite helpful, and will try to come up with some guidelines to assist in reviewing contracts. She also complimented the quality of the Commission's contracts.

2. IT Report

Connection can now be made with the disaster recovery site, and Howard hopes to do a preliminary test within two weeks.

The NCSLA will be presenting an award to the Liquor Commission sometime in early June for the best government to business web site in the liquor industry. They have asked that someone from the Commission be present at the awards banquet to discuss it. Craig felt this is a significant award, and Commissioner Russell agreed with him that the advertising agency should be asked to produce a press release in recognition.

There have been two more claims from Master Card, which have been addressed to dismiss in the same manner as the previous claims.

NCR was here last week to evaluate equipment, and they will be asked what their best deal will be. It will probably be several weeks before they will be submitted for approval by the Commission.

The MOA with OIT is almost finished, and will be sent to them to be finalized. The document will probably be ready for signatures in June.

Desk tops and services will be replaced next winter. IT will retain the autonomy and structure it now has.

A meeting was held last Monday with the brokers regarding the allowance ordering system electronic version. They appear to be very excited about this, and good participation is anticipated. To date, three brokers have been involved in submitting offers using this system. Marketing is limited to three

groups of products at this time. A few changes are being made for Nicole on the wine side.

3. Human Resources Report – No report.

II. MARKETING & SALES REPORTS

1. Store Operations

Total store sales for the week ending May 21, 2006 were down (8.55%) or (\$527,054.29) due to the rainy weather and flooding. Store #4 Hooksett was closed for several days with water related problems. Peter commended all those involved in helping out during this time. Store #44 Bristol was also closed for four days because of the possibility of flooding. In addition, Store #34 Salem could only be accessed by side roads. Steve suggested doing a follow-up on the amount of business lost during this time.

Peter has been on the road lately attending six regional manager meetings, which have focused on inventory reductions and summer programming. The last one will take place tomorrow beginning at 10:00 a.m. at Store #49 Plaistow.

2. Purchasing Report

Kathy distributed the current out-of-stock warehouse report.

3. Merchandising Report

A. SPIRITS:

- 1) Test Market Products:

- a. Test Market Request (Pango Rhum):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H./Societe du Rhum Barbancourt for a new test market listing for Pango Rhum, 750ML size (assigned new Code #4694), to be initially distributed to Cluster 1, 2 and 3 stores only, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. Test Market Request (Cristall Moscow Russian Vodka):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Martignetti

Companies of N.H./The Frank Pesce Group, Inc. for a new test marketing listing for Cristall Moscow Series Russian Vodka, 750ML size (assigned new Code #3974), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Test Market Request (Pama Pomegranate Liqueur):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Southern Wine & Spirits of N.E., Inc./Heaven Hill Distillery for a new test market listing for Pama Pomegranate Liqueur, 750ML size (assigned new Code #5146), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. Test Market Request (99 Black Cherries):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Southern Wine & Spirits of N.E., Inc./Barton Brands Ltd. for a new test market listing for 99 Black Cherries, 750ML size (assigned new Code #5570), as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

e. Test Market Request (3 Cocktails by Jenn 4/100ML):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Southern Wine & Spirits of N.E., Inc./Barton Brands Ltd. for new test market listings for Cocktails by Jenn Cosmopolitan (assigned new Code #2385) Cocktails by Jenn Appletini (assigned new Code #2384) and Cocktails by Jenn Variety Pack (assigned new Code #2386) 4/100ML purse tote packs, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

f. Test Market Result (Codes #5525, #258 & #8629):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission delist the following three (3) spirit items, each of which failed to achieve their respective gross profits required for both full distribution and specialty item consideration at the

conclusion of a six-month test market period, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales: Code #5525, Fernet Branca, 750ML size; Code #258, Le P'tit Gourmel Cognac, 750ML size; and Code #8629, Appleton Estate VX Jamaican Rum, 1.75L size. The motion was unanimously adopted.

g. Test Market Result (Codes #5523 & #5524):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission delist Code #5523, Pallini Raspicello and Code #5524, Pallini Peachcello, 750ML sizes, each of which failed to achieve their respective gross profits required for both for full distribution and specialty item consideration at the conclusion of a six-month test market period, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

h. Continued Test Market (Pinnacle Vodkas):

A request from Horizon Beverage Company/White Rock Distilleries to stop the test market of Pinnacle flavored vodkas was withdrawn by the broker. No action was taken.

2) Line Extension Request (Bacardi Big Apple Rum):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/Bacardi USA for a size extension to Bacardi Big Apple Rum, 1.75L size (assigned new Code #4318), as this brand in the 750ML size exceeded the gross profit required for an added size listing, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) One Time Buy Request (Starbucks Coffee Liqueur, 50ML):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Southern Wine & Spirits of N.E., Inc./Future Brands LLC to conduct a third one-time buy of Code #5213, Starbucks Coffee Liqueur, 50ML size, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Jack Daniels Promotion:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Horizon Beverage Company/Brown-Forman Corporation to conduct a consumer give-a-way of 5 Jack Daniels leather jackets and bottle signings in three designated stores in promotion of Jack Daniels Single Barrel Bourbon from June 10 through June 18, 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Crown Royal Race Car Promotion:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Southern Wine & Spirits of N.E., Inc. to conduct #26 Crown Royal Race Car on-site visits at five designated stores to coincide with the NASCAR race in July 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) July 2006 E-Mail Coupons:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve six (6) spirit items as part of the July 2006 e-mail alert, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) July Special Offers (262 items – Southern Wine & Spirits of N.E., Inc.):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Southern Wine & Spirits of N.E., Inc., based upon depletions for two hundred sixty-two (262) spirit items, to be featured on sale during July 2006, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

B. WINES:

1) Special Offers for July 2006:

a. 4 items – R.P. Imports:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from R.P. Imports, based upon depletions for four (4) wine items, to be featured on sale during July 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 3 items – Horizon Beverage Company:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions for three (3) wine items, to be featured on sale during July 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) Alternative Size Sections:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve new alternative store wine sets to be tested in Stores #38 Portsmouth and #73 and #76 Hampton during the summer months of 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Martignetti Red Tag Sale – July, August & September 2006:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of NH to conduct a Red Tag Sale featuring sixty-five (65) wine items during July, August and September 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Test Market Request for Grateful Palate Wines:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of NH to test 8 wine items from the Grateful Palate by placing three absolutes in Cluster 1 stores and 6 additional stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Purchase & Display Cumulus Brands:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of NH for the purchase and display of 5 Cumulus wine codes during July and August 2006, including distribution of 5 cases of each to Cluster 1 stores and 2 cases to 7 additional stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) Purchases and Introductions:

a. French Rabbit 1 Liter Tetra Packs:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of NH for the purchase and introduction of Code #43310, French Rabbit Chardonnay and Code #43312, French Rabbit Pinot Noir, 1 liter Tetra packs, for testing in Stores #38 Portsmouth and #73 and #76 Hampton, but deny the purchase and introduction of Code #43311, French Rabbit Merlot and Code #43309, French Rabbit Cabernet, 1 liter Tetra packs, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Stonehaven 3 Liter Boxes:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission deny a request from Horizon Beverage Company for the purchase and introduction of Code #39748, Stonehaven Chardonnay and Code #39749, Stonehaven Shiraz, 3 liter boxes, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Vendange 500ML Tetra Packs:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Southern Wine & Spirits of N.E., Inc. for the purchase and introduction of Code #41169, Vendange Cabernet, Code #41171, Vendange Pinot Grigio and Code #41172, Vendange Shiraz, 500ML Tetra packs for test

in Stores #38 Portsmouth and Stores #73 and #76 Hampton during the summer months of 2006, but deny the purchase and introduction of Code #41170, Vendange Chardonnay, 500ML Tetra pack, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing and Sales. The motion was unanimously adopted.

d. Concha Y Toro Frontera:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission deny a request from Horizon Beverage Company for the purchase and introduction of Code #43801, Concha Y Toro Frontera Cabernet and Code #43802, Concha Y Toro Frontera Rose, 1.5L sizes, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) Sweepstakes:

a. John Deere Riding Lawnmower 2006:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Southern Wine & Spirits of N.E., Inc./Constellation Wine Company to conduct a John Deere Riding Lawnmower sweepstakes in promotion of Nathanson Creek, Covey Run and Talus wines during July and August 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. M.S. Walker Sweepstakes 2006:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from M.S. Walker N.H. to conduct a DreamMaker X-400 spa sweepstakes in promotion of Code #6721, Piccini Chianti, 1.5L size during July and August 2006, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

8) Close Outs:

a. Close Out Pricing (39 American wines):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve close-out pricing for 39

delisted American wine codes, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. Close Outs (3 items – Martignetti Companies of NH):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve close-out pricing for 3 Rosemount wine codes from Martignetti Companies of NH, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. Close Outs (74 items):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve close-out pricing for 74 wine codes that have been on close-out since 2004 and 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

9) Request for Second Size:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve a request from Southern Wine & Spirits of N.E., Inc. for a second size listing of Alice Chardonnay, 750ML size (assigned new Code #34822), to be carried in Cluster 1 and 2 stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

10) Recommended Allocated Wines for Distribution to Selected Stores:

a. 29 items:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve 29 allocated wine items for distribution to selected stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. 6 items:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve 6 allocated wine items for distribution to selected stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 11) Recommended Allocated Wines (Absolutes) for Distribution to Selected Stores:

- a. 2 items:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve 2 allocated wine items (absolutes) for distribution to selected stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. 5 items:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve 5 allocated wine items (absolutes) for distribution to selected stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 12) “R” Wines for Allocation to Licensees Selected by the Broker:

- a. 1 item:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve 1 restricted wine item for allocation to licensees selected by the broker, and retail distribution, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. 2 items:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve 2 restricted wine items for

allocation to licensees selected by the broker, and retail distribution, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- 13) Primary Source Submissions (5 primary source; 15 exclusive agent; 25 imported):

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve the listing of 5 wine codes which are from primary source, 15 wine codes which are offered by the exclusive marketing agent and 25 wine codes which are imported. The motion was unanimously adopted.

III. ENFORCEMENT & LICENSING REPORT - No report.

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment releases/transfers dated May 11 through May 24, 2006. The motion was unanimously adopted.

2. Coupon Approvals:

It was moved by Commissioner Maiola, seconded by Commissioner Russell, that the Commission approve all previously reviewed coupon (pad, necker and consumer offer) requests for the month of June 2006. The motion was unanimously adopted.

3. Late Items/Other:

Commissioner Maiola remarked that the NABCA yearly conference which was held last week was one of the best he had ever attended. He said both the meetings and the speakers were excellent. John Bunnell further commented that he learned there would be no shortage of new product requests coming to New Hampshire.

There was brief discussion regarding placement of a snack machine in Commission headquarters. Commissioner Russell is in favor of pursuing this with the Sunshine Committee and local vendors.

V. EXECUTIVE SESSION

At 1:35 p.m. the Commission went into non-public session to discuss personnel items.

Anthony C. Maiola, Chairman

Patricia T. Russell, Commissioner

/D. Hartford